



# OIG FRAUD BULLETIN



## Government Travel Card Fraud

### Special points of interest:

- Rules governing use of the Citibank Travel Charge Card
- NRC Management Directive Governing Use of the Travel Card
- Yellow Announcements
- Actual Cases Involving Improper Use of Travel Credit Card

### INSIDE THIS ISSUE:

Management Directive Governing Use of Travel Credit Card	2
AmEx Rules for Using Travel Credit Card	2
Yellow Announcements	3
Actual Case Examples from OIG Investigations Regarding Improper Use of Travel Credit Card	4-7
Articles Regarding Plans of another Agency for Misuse of Travel Cards	7-8
MSPB Cases Involving Misuse of the Travel Card	8-9
Information on Identity Theft	9

### IT'S A TRAVEL CARD—NOT A CREDIT CARD!

What is the difference between a personal credit card and the government travel card?

A personal credit card account has to be earned and paid for. In order to obtain a personal credit card, individuals “earn” credit by showing the ability to pay from wages and other assets and an acceptable credit history. Credit is “paid for” by annual fees, interest charges, and late fees. Credit is not “free.”



The government travel card is given to employees—no application fee, no annual fee, no interest, no check on credit history—for the benefit of the government. It is used to save the government the expense of travel advances, and gives the employee added convenience in performing official travel. The government bears the expense of administering the program, eliminates the application process for the individual employee, and provides the travel card company with a large pool of customers.

This edition of the OIG Fraud Bulletin is dedicated to providing guidance in addition to that in the agreement each employee signs and that in the agency directives.

Why? Because misuse of the government travel card is misconduct which may be the subject of disciplinary action and because helping employees avoid misconduct is an important part of the OIG mission.

Guidance, applicable references, and case examples in this bulletin are intended to educate and assist you in the proper use of the government travel card. If you have further questions, seek assistance before you use the card!

## Rules for Using the Travel Credit Card

The NRC initially contracted through the General Services Administration (GSA) with Diner's Club for a travel charge card. The contract was subsequently changed to American Express (AmEx) and now to Citibank. However, over the years the rules governing the use of government travel charge cards have remained essentially the same.

There have been many instances of misuse of the government travel card since the program's inception on February 1, 1987. Although some NRC employees are under the impression that the travel charge card can be used like a personal credit card, that is not the case. The contract between the government and the credit card company establishes that government employees may use the charge card strictly for official travel related expenses. The NRC Management Directive 14.1 explicitly outlines the rules for using the government credit card:

### Management Directive 14.1 Part 5

#### 5.4.1—Use

“A card holder only may use his or her travel charge card for official travel, which includes—

- \* Obtaining authorized travel advances through automatic teller machines (ATMs)
- \* Paying for official travel expenses such as hotels, meals, and rental cars
- \* Obtaining common carrier tickets when a Travel Management Center (TMC) representative is not available or when the traveler has been specifically authorized to charge his or her ticket

The travel charge card should not be used for personal expenditures or anything else that would **not** be reimbursable on the employee's travel voucher.

Use of the Government contractor-issued travel charge card for unauthorized travel advances or purchases that are not eligible for reimbursement on a travel voucher may result in disciplinary action up to and including removal.

When a government employee applies for a Citibank Travel Charge Card, he or she signs an agreement with the company stating that the card will not be used for personal, family or household purposes. That agreement mandates that:

#### (2) **Use of Card**

Charging and cash access privileges (if allowed) on the Card and Account is provided by the Bank pursuant to the GSA contract and the task order of my Agency/Organization and is subject to this Agreement. I agree to use the Card only for official travel and official travel-related expenses away from my official station/duty station in accordance with my Agency/organization policy. I agree not to use the Card for personal, family or household purposes.

I understand that the Card is not transferable and will be used by me alone only after I have signed the Card on the back above the words authorized signature.

Many Bank Card statement printouts have been analyzed by the NRC Travel Office and the Office of the Inspector General (OIG). These statements indicated that items such as those listed below have been improperly purchased with the government travel credit card:

- \* Engine repairs on personal vehicles
- \* Clothing
- \* Doctor bills
- \* Medical outpatient procedures
- \* Personal travel
- \* Gas, oil change, battery for personal vehicle
- \* Personal entertainment
- \* Meals when not in travel status

### **Yellow Announcements**

There have been three NRC Yellow Announcements regarding the use of the Government travel credit card published in the past 18 months in addition to an on-line Ethics Briefing provided to employees by the Office of the General Counsel.

Yellow Announcement No. 102, dated December 13, 1999, states under "NRC Property—Employees can only use a Government credit card for official purposes and should not be delinquent in making payments for its use."

Yellow Announcement No. 32 dated April 28, 2000 states in part... "Both the Federal Travel Regulations (FTR) and NRC policy require that the Citibank VISA charge card only be used to pay for items that are official travel related expenses. Generally, the Citibank VISA charge card may not be used for personal, family, or household purposes. These expenses should be paid for by the traveler through means other than the use of the Citibank VISA card. However, a non-reimbursable expense may be charged to the Citibank VISA charge card if it is for a small dollar amount and a reasonable effort to separate it from official travel related expenses has failed. "For instance, if a traveler has rented a movie from the hotel where he is staying and the hotel can not separate that charge from the bill, the employee may use the card to pay for the movie. However, the employee must deduct the cost of the movie from his reimbursable travel expenses."

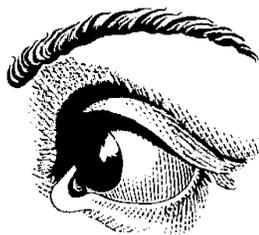
Yellow Announcement No. 86, dated December 4, 2000, states under "NRC Credit Card and Other Property—Employees can only use the Government credit card for official purposes and should not be delinquent in making payments for use of the card."

Beginning March of 2000, the Office of the General Counsel incorporated into its annual ethics briefing guidelines on the appropriate use of the Citibank VISA charge card.

The following examples are cases at NRC that the OIG has investigated. As can be seen from these cases, misuse of the government travel credit card by an NRC employee can result in disciplinary action up to removal from Federal service. In the following examples, details were changed to protect the identity of the individuals involved. In addition to the NRC/OIG cases, we have incorporated into this bulletin two cases that have been adjudicated by the Merit Systems Protection Board (MSPB) involving misuse of the government travel credit card.

## AmEx Card Used for Medical Procedure

This OIG investigation was conducted after the Office of the Controller was contacted by a representative from AmEx who was suspicious about recent activity on an NRC

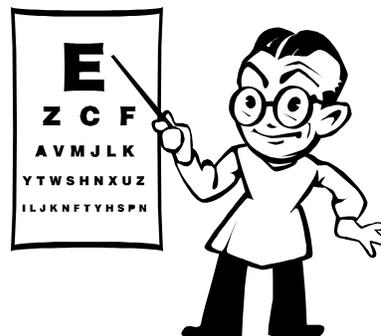


AmEx account belonging to an NRC employee. AmEx was concerned about a \$4,000 charge for an elective vision correction procedure. It was determined by NRC Travel services that this charge was not the result of a

change-of-station move or other type travel which would explain the large amount. The travel services branch notified AmEx and informed them the charge was not for official business. AmEx notified the employee that he would have to pay the \$4,000 charge immediately. The bill was paid in full later that same month.

The employee admitted to OIG that he knew personal use of the government AmEx card was against agency regulations.

As a result of this incident, the employee received a 14 day suspension without pay.



## Travel Card Used for Down Payment on New Home

This OIG investigation determined that between March and September of 1997, as a result of a change-of-station move, an NRC employee charged over \$22,000 to the government AmEx credit card. Additionally, despite receiving reimbursement from NRC for expenses charged to the government credit card, the employee failed to make timely payments to AmEx. AmEx suspended his government credit card account for insufficient payment at which time he owed over \$13,000.

OIG further determined that in response to an AmEx inquiry about the delinquent account, the employee misled AmEx by stating that he could not file a voucher for payment from NRC until he completed his change-of-station move. While the employee did not receive final



payment on his change-of-station claim from NRC until after it was approved, he had already received advances from NRC totaling over \$25,000.

OIG found that instead of making timely payments to AmEx, the employee used his NRC travel advances to cover expenses associated with the purchase of a new home. Further, OIG found that he was aware

that under the terms of the AmEx agreement with government credit card holders, he was required to make full payment of undisputed amounts charged to the AmEx card upon receipt of his monthly bill. Likewise, the employee was familiar with NRC policy announcements relating to an employees obligation to promptly repay AmEx for charges to his or her account.

As a result of this improper use of the government credit card, the employee received a Letter of Reprimand.

## AmEx Card Used for Personal Purchases

The OIG reviewed the government AmEx account of an NRC employee. The AmEx records revealed that the employee used his AmEx card 73 times for ATM cash withdrawals. Of the 73, only 23 withdrawals could be associated with official travel. The OIG review disclosed that the remaining 50 withdrawals, totaling over \$9,000 could not be associated with official travel of the employee. Most of the cash withdrawals were for \$500.

AmEx records also showed that the employee used his AmEx card for personal purchases that were not related to official NRC travel. For example, he used his card to purchase shoes, two per-

sonal airline tickets, jewelry, ties, and numerous purchases at small food centers, and discount stores for groceries and general merchandise totaling hundreds of dollars.

The employee stated to OIG that



he understood that government travel cards were to be used only for government related travel. He

stated he also understood that personal use of the government credit cards was prohibited.

Since the employee decided to resign from Federal Service rather than face possible administrative discipline, no action was taken against him.

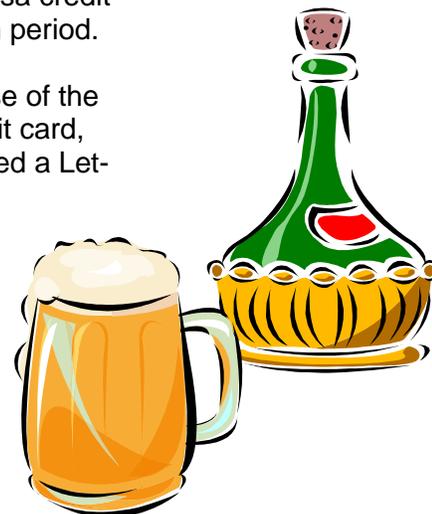
## Employee Misuses Credit Card While on Official Travel

An OIG investigation revealed that an NRC employee misused his government credit card while on official travel for purchases of alcoholic beverages, clothing, sundries and toiletries.

The employee told OIG that he formerly worked for private industry and thought that the government credit card could be used the same way it is used in industry. He added that his corporate credit card placed no restrictions or prohibitions on the use of the corporate issued travel credit card.

The employee incurred a total of over \$1000 in prohibited non-travel related purchases on his government Citibank Visa credit card during a six month period.

As a result of the misuse of the government travel credit card, the employee was issued a Letter of Reprimand.



## Government Travel Card Used for Gambling

An OIG investigation was initiated as a result of discovering that an NRC employee had misused the AmEx government travel card. The employee improperly used the AmEx card for cash withdrawals totaling over \$1,300. Three of these withdrawals were made at casinos in Atlantic City, NJ.

When questioned by OIG investigators, the employee provided

inconsistent explanations regarding the confusion of personal credit cards and the government AmEx card.

As a result of this misconduct, the employee was counseled by his supervisor.



## Employee Uses Government AmEx Card for Car Repairs

A requirement of the General Services Administration (GSA) contract is that AmEx is required to notify the NRC if they detect what appears to be a personal charge on the government AmEx charge card. In this particular case, an NRC employee used her AmEx card for repairs on her vintage Thunderbird.

When the OIG asked the employee when she used her credit card the last time for personal use, she replied that the last time was when she had her car repaired.

However, when OIG reviewed her AmEx account the investigator discovered that the employee had made additional purchases after having her car repaired. The employee subsequently told OIG that she had a personal VISA account but be-

cause her personal credit card was almost at its maximum, she did not use it. The employee further told OIG that she used the AmEx card because it was convenient and that she knew the balance of the credit card had to be paid within the month.

As a result of the misuse of a government travel credit card, the employee was suspended for a period of seven calendar days without pay.



The employee told OIG that she was aware she should not use the AmEx charge card for personal purchases and she was wrong to do so.

## Employee Uses Travel Card for Food and Clothing

This investigation disclosed that an NRC employee made 32 personal transactions on her government AmEx charge card totaling almost \$4,000. In addition to the improper purchases, the employee was two months delinquent in the amount of approximately

\$1,500. OIG further determined that the employee was aware that her government

AmEx charge card obligation was past due and that the card was to be used only for official travel and related expenses and was not to be used for personal purchases or transactions.



The employee acknowledged to OIG that she was familiar with the rules governing the proper use of the AmEx charge card, and she ad-

mitted that she knew it was improper to use the charge card for personal transactions. The employee admitted that she had been experiencing financial difficulties and had used the card only as a last resort to buy food and clothing for her children.

The employee indicated that she had financial difficulties because her husband was frequently out of work and they had recently purchased a new town home and new furnishings. In addition, fees associated with her monthly mortgage had been reassessed which caused an increase in her monthly expenses. The employee stated she used the government AmEx card specifically to augment her NRC income since she was essen-



tially the sole source of income for her family.

As a result of this matter, a proposed

five day suspension was imposed. However, after considering her excellent work record and the circumstances surrounding the use of the credit card, the agency decided to hold the five day suspension for a period of one year providing there were no more instances of credit card misuse. If there were no more instances of misuse, the suspension would be mitigated to a Letter of Reprimand which would be placed in her personnel file.

## Actions Other Agencies Plan to Take

A recent article appeared in the Washington Post, "Federal Diary" published on May 4, 2001, citing a plan of action the Pentagon plans to take with employees who are late paying their government issued-travel cards.

Beginning in the fall, the Pentagon will garnish the salaries of military and civilian personnel who are running 120 days late in paying their government credit card bill. The Pentagon will also lower credit limits and the amount of cash available through automated teller machines. The Director of Finance outlined the department's plans at a hearing called by Rep. Stephen Horn, (R-Calif.) chairman of the House Government Efficiency Subcommittee, to examine the governments' problems in managing the SmartPay Travel Card program. Horn sponsored a 1998 law that requires agencies to issue government travel cards to employees as a way to make federal travel more efficient and less costly.

Unfortunately, Horn said, "lagging agency oversight and employee misuse" have prevented the government from saving millions of dollars in travel costs.

One of the largest abuse problems appears to be at the Defense Department, where the Bank of America holds the contract to provide travel cards. Clifford A. Skelton, manager of the bank's Govern-

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ment Credit Card Services Division testified that 40,000 Defense military and civil service employees have defaulted on more than \$53 million in charges for “what is supposed to be official travel.” In the SmartPay Program, Skelton said, “cash advances are twice as likely not to be paid back, when compared to other credit charges, leading one to believe that misuse is routine, if not rampant.”

The General Services Administration provided Horn with data from March on 25 agencies that showed \$25 million of employee card charges are at least 60 days delinquent. Defense employees were responsible for \$17 million of those delinquent charges, GSA said.

In another article from Federal Computer Week dated May 3, 2001, it stated that by law, federal employees are to use government travel charge cards instead of personal credit cards to pay for travel expenses. They are designed to make the travel process more efficient and less costly for the government. Usually, employees are responsible for paying the card charges after the government reimburses them. In some cases, employees are using the credit cards for personal expenses rather than government travel, said Rep. Stephen Horn, chairman of the House Government Efficiency Subcommittee. “In other cases, employees are defaulting on their payments costing the government millions of dollars in potential revenue” in the form of rebates, Horn said in his written testimony.

The travel cards — as well as purchase and fleet cards — are issued by several banks under the GSA SmartPay Program. Marty Wagner, associate administrator for the Office of Government wide policy at GSA, defended the program and said delinquency rates are falling.

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## Adjudicated MSPB Cases

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In Kaye v. Defense Logistics Agency (DLA), 64 M.S.P.R. 570 (1994), the appellant petitioned for review of the initial (November 12, 1993) decision that sustained her removal for the following charges: failure to safeguard government credit card and personal identification number; failure to follow specific instructions for reporting loss, theft, or compromise of the government credit card; misuse of government credit card (improper charges); and providing false information in an agency investigation. The Merit Systems Protection Board (MSPB) reversed the initial decision, and the penalty was mitigated to a 45-day suspension. The Board considered the charges serious but took into account the failure to sustain all of the charges; the appellant’s excellent, unblemished record; and taking full responsibility to repay improper charges; (over \$2,000 in cash withdrawals). The suspension of 45 days rather than removal was considered the maximum reasonable penalty for the charges against the appellant which included all of the above charges with the exception of the charge of “providing false information in an agency investigation.” The appellant in this case was a GS-12 Supervisory General Supply Specialist.

In Baracker v. Department of the Interior, 70 M.S.P.R. 594 (1996), the appellant, a Senior Executive Service employee, was suspended for 15 days for misuse of the government credit card. In this decision, the Board held that the agency was not required to prove intent in order to sustain a charge against the employee of misuse of the government credit card. The Board sustained the 15-day suspension. The Board found that the employee did not dispute the administrative judge’s findings that the employee used the government travel card to take trips for his personal convenience and not for official government business, and that those instances constituted misuse of the government travel

card. The employee argued that the agency may discipline him only if he intentionally misused the card, and since he did not have this intent, the Board should disapprove the adverse action the agency took against him. The Board rejected his argument holding, first, that the agency need not prove intent and, second, that the agency, in this case, had proven intent. It had provided him with rules for the card's use and the employee had signed a document approximately six weeks before the first instance of misuse indicating that he had received, read, and understood the agency's memorandum regarding official card use.

## Some Information That May Help You

### Identity Theft

Sometimes an ID thief can strike even when you've been very careful. One of the best ways to catch identity theft is to regularly check your credit record. Order your credit report from each of the three major credit bureaus each year and make sure all the information is correct. Also, follow up with creditors if your bills do not arrive on time. A missing credit card bill could mean an identity thief has taken over your credit card account and changed your billing address to cover his tracks. If you know for a fact that your credit card, drivers license, or social security card/number was stolen, the first thing to do is cancel all your credit card accounts and then notify the three national credit reporting organizations and immediately place a fraud alert on your name and social security number. This alert means any company that checks your credit knows your information was stolen and they have to contact you by phone to authorize new credit. The numbers are Equifax 1-800-525-6285; Experian 1-800-301-7195; and Trans Union 1-800-680-7289. The Social Security Administration also has a fraud line at 1-800-269-0271.

An excellent web site for consumer education is [www.consumer.gov/](http://www.consumer.gov/). Click on ID Theft for a wealth of information on how you can protect yourself from one of the fastest growing crimes in America. The Federal Trade Commission publishes a free brochure on Shopping by Phone or Mail. For a complete list of publications, write for Best Sellers, Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or call toll-free, 1-877-FTC-HELP (382-4357), TDD (202) 326-2502.



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